

**Village of Port Hope
Port Hope, MI**

Huron County

**FINANCIAL REPORT
March 31, 2008**

Village of Port Hope

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Township Board
Village of Port Hope
Port Hope, MI 48468

We have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Port Hope as of and for the year ended March 31, 2008, which collectively comprise the basic financial statements of the Village of Port Hope's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Port Hope as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of Village of Port Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Village of Port Hope's basic financial statements. The introductory section and supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Midwest Accounting P.C.

Midwest Accounting, P.C.
October 30, 2008

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**Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Township Board
Village of Port Hope
Port Hope, MI 48468

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Port Hope as of and for the year ended March 31, 2008, which collectively comprise Village of Port Hope's basic financial statements and have issued my report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Port Hope's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Port Hope's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Port Hope's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Village of Port Hope's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Village of Port Hope's financial statements that is more than inconsequential will not be prevented or detected by Village of Port Hope's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Village of Port Hope's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Port Hope's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

Midwest Accounting P.C.

Midwest Accounting, P.C.
October 30, 2008

Village of Port Hope Management's Discussion and Analysis

This section of the Village's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on March 31, 2008. Please read it in conjunction with the village financial statements, which immediately follow this section.

Financial Highlights

The 2007/08 fiscal years resulted in a Fund Balance in the General Fund and Special Revenue of \$251,612.19. This was an expected result for the Township. The Fund Balances were higher than was originally budgeted.

In total, Township revenues exceeded \$160,847.99 for the fiscal year ended March 31, 2008. Spending over the same time period was \$104,860.98. That was an increase of \$8,441.11 over fiscal 2007 for revenues and an increase of \$4,168.91 for spending.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information.

Government-Wide Statements

The Government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township assets and liabilities - are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into categories:

Governmental Activities - Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provided most of the funding.

Business-type Activities - The Village operates a sewer system and charges fees to customers to help cover the costs of certain services it provides. The Villages sewer and water system is treated as a business-type activity.

Village of Port Hope

Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on its most significant or "major" funds - not the Township as a whole. Funds are accounting devices the Township uses to keep track of specific sources of funding and spending for particular purposes:

Some funds are required by State law and by bond covenants.

The Township establishes other funds to control and manage money for particular purposes.

The Township has three fund types:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Village is responsible for ensuring that the assets reported in these funds are used for intended purposes. All of the Villages fiduciary activities are reported in a separate statement of Assets and Liabilities. These activities are excluded from the Villages government-wide Financial Statements, because the government cannot use these resources.

Village of Port Hope Management's Discussion and Analysis

Financial Analysis of the Village as a Whole

Net Assets

Township net assets increased during the fiscal year 2008.

Village of Port Hope

	<u>2008</u>
Current and other Assets	\$ 1,385,578.57
Capital Assets, Less Accumulated Depreciation	<u>2,991,830.63</u>
Total Assets	\$ 4,377,409.20
Current Liabilities	\$ 17,111.22
Other Liabilities	<u>526,492.50</u>
Total Liabilities	\$ 543,603.72
<u>Net Assets</u>	
Invested in Capital Assets net of Related Debt	\$ 882,273.47
Restricted	69,658.15
Unrestricted	1,374,284.15
Other	<u>1,215,583.77</u>
Total Net Assets / (Deficit)	\$ 3,541,799.54

Changes in Village of Port Hope Net Assets

	<u>2008</u>
<u>Revenues</u>	
Charges for Services	\$ 167,201.71
<u>General Revenues</u>	
Property Taxes	86,760.88
State Revenue Sharing	27,080.00
Other	<u>61,141.81</u>
Total Revenues	\$ 342,184.40
<u>Expenses</u>	
General Government	\$ 10,648.24
Public Public Services	50,650.46
Sanitation, Water, and Sewer	92,883.92
Roads	21,614.04
Interest and Other	82,839.86
<u>Business Type Activities</u>	
Unallocated Depreciation	<u>61,922.66</u>
Total Expenses	\$ 320,559.18
Increase / (Decrease) in Net Assets	<u><u>\$ 21,625.22</u></u>

Village of Port Hope Management's Discussion and Analysis

Governmental Activities

Revenues for governmental activities totaled \$342,184.40 in 2008. A total of \$86,760.88 was in the form of property tax collections. State-shared revenues continue to be of concern. While it provided \$27,080.00, we are uncertain what will happen in 2008 given the State's financial difficulties. Charges for services, primarily for sewer, water, and refuse operations, generated \$167,201.71.

Financial Analysis of the Villages Funds & Budgets

The General Fund ended 2008 with a fund balance of \$251,612.19. Several factors affected operating results. Tax collections were \$86,760.88 for 2008. Additionally, other revenue was \$74,087.11 in 2008. Total revenues in the General Fund of \$160,847.99 exceeded expenditures of \$104,860.98 by \$55,987.01 and the General Fund transferred \$167,439.18 to the Special Revenue Funds leaving a decrease of \$111,452.17.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 96 percent of budget. No major General Fund areas were significantly under or over budget.

Capital Assets and Debt

The Village made capital purchases of 289,739.13 during the year consisting primarily of local road improvements.

Factors Bearing on the Villages Future

At the time these financial statements were prepared and audited, the Village was aware of several areas that could have a major impact on the 2007/2008 fiscal year, and subsequent years.

Village summer 2008 taxes have close to the same millage rate as last year. Most of the money collected goes for the operating expenses for the general fund.

At this time the village was not aware of any areas that could have a major impact on the 2007/2008 fiscal year and subsequent years.

The Village has agreed to loan Huron County Parks and Recreation \$100,000 to build six cabins in a local park within the boundaries of the Village.

Contacting the Villages Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Villages finances and to demonstrate the Villages accountability for the money it receives. If you have questions about this report or need additional information, contact in writing the Business Office, Village of Port Hope, 4250 N. Lakeshore Road, Port Hope, MI 48468.

Village of Port Hope
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Actviities	Total
Assets			
Current Assets			
Cash and Investments	\$ 860,413.92	\$ 0.00	\$ 860,413.92
Cash and Investments - Restricted	0.00	201,552.06	201,552.06
Accounts Receivable	2.81	8,360.99	8,363.80
Sewer Installments Receivable-Current	0.00	13,288.17	13,288.17
Total Current Assets	<u>860,416.73</u>	<u>223,201.22</u>	<u>1,083,617.95</u>
Property and Equipment			
Property and Equipment	1,840,957.18	2,576,277.69	4,417,234.87
Less Accumulated Depreciation	(616,067.24)	(809,337.00)	(1,425,404.24)
Net Property and Equipment	<u>1,224,889.94</u>	<u>1,766,940.69</u>	<u>2,991,830.63</u>
Other Assets			
Due From Fiduciary Fund	41,571.25	0.00	41,571.25
Sewer Installments Receivable	0.00	301,960.62	301,960.62
Total Other Assets	<u>41,571.25</u>	<u>301,960.62</u>	<u>343,531.87</u>
Total Assets	<u>\$ 2,126,877.92</u>	<u>\$ 2,292,102.53</u>	<u>\$ 4,418,980.45</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	2,202.44	0.00	2,202.44
Accrued Payroll and Taxes	383.63	0.00	383.63
Accrued Interest	0.00	16,431.25	16,431.25
Due To Other Govenmental Units	3,141.52	0.00	3,141.52
Current Portion of Bonds Payable	0.00	14,000.00	14,000.00
Total Current Liabilities	<u>5,727.59</u>	<u>30,431.25</u>	<u>36,158.84</u>
Long - Term Liabilities			
Bonds Payable	0.00	526,492.50	526,492.50
Total Long - Term Liabilities	<u>0.00</u>	<u>526,492.50</u>	<u>526,492.50</u>
Total Liabilities	<u>5,727.59</u>	<u>556,923.75</u>	<u>562,651.34</u>
Net Assets			
Invested in capital assets net of related de	1,224,889.94	1,226,448.19	2,451,338.13
Restricted for:			
Sewer operation, maintenance, and			
debt service	0.00	201,552.06	201,552.06
Fire service	428,468.79	0.00	428,468.79
Major streets	71,795.46	0.00	71,795.46
Local streets	102,793.72	0.00	102,793.72
Cemetery	41,590.23	0.00	41,590.23
Unrestricted	251,612.19	307,178.53	558,790.72
Total Net Assets	<u>2,121,150.33</u>	<u>1,735,178.78</u>	<u>3,856,329.11</u>
Total Liabilities and Net Assets	<u>\$ 2,126,877.92</u>	<u>\$ 2,292,102.53</u>	<u>\$ 4,418,980.45</u>

The accompanying notes are an integral part of this financial statement.

**Village of Port Hope
Statement Of Activities
For the Year Ended March 31, 2008**

Governmental Activities						
Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Government Activities	Business- type Activities	Total
Governmental Activities						
General Government	\$ 10,648.24	\$ 0.00	\$ 0.00	\$ (10,648.24)	\$ 0.00	\$ (10,648.24)
Public Safety	43,195.88	56,576.77	0.00	13,380.89	0.00	13,380.89
Public Works	7,454.58	0.00	0.00	(7,454.58)	0.00	(7,454.58)
Sanitation	23,412.58	24,613.20	0.00	1,200.62	0.00	1,200.62
Roads	21,614.04	48,806.03	0.00	27,191.99	0.00	27,191.99
Sewer Operations	69,471.34	37,205.71	0.00	0.00	(32,265.63)	(32,265.63)
Interest on Bonds	32,862.50	0.00	0.00	0.00	(32,862.50)	(32,862.50)
Unallocated Depreciation	61,922.66	0.00	0.00	(61,922.66)	0.00	(61,922.66)
Miscellaneous	49,977.36	0.00	0.00	(49,977.36)	0.00	(49,977.36)
Total Governmental Activities	<u>\$320,559.18</u>	<u>\$ 167,201.71</u>	<u>\$ 0.00</u>	<u>(88,229.34)</u>	<u>(65,128.13)</u>	<u>(153,357.47)</u>
General Revenues						
Property Taxes General				86,760.88	0.00	86,760.88
State Revenue Sharing				27,080.00	0.00	27,080.00
Investment Earnings				40,592.54	11,757.09	52,349.63
Other				8,792.18	0.00	8,792.18
Total General Revenues				<u>163,225.60</u>	<u>11,757.09</u>	<u>174,982.69</u>
Change in Net Assets (Deficit)				74,996.26	(53,371.04)	21,625.22
Prior Period Adjustment				342,616.47	315,821.42	658,437.89
Net Assets Beginning of Year				<u>1,703,537.60</u>	<u>1,472,728.40</u>	<u>3,176,266.00</u>
Net Assets End of Year				<u>\$2,121,150.33</u>	<u>\$ 1,735,178.78</u>	<u>\$ 3,856,329.11</u>

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Combined Balance Sheet
All Fund Types and Account Groups
March 31, 2008

		Major Special Revenue Funds				
	General	Major Street Fund	Local Street Fund	Fire Fund	Other Nonmajor Governmental Funds (Cemetery)	Total Governmental Funds
Assets						
Cash and Investments	\$ 257,313.55	\$ 71,795.46	\$ 102,817.14	\$ 428,468.79	\$ 18.98	\$ 860,413.92
Accounts Receivable	2.81	0.00	0.00	0.00	0.00	2.81
Due from Other Funds	0.00	0.00	0.00	0.00	41,571.25	41,571.25
Total Assets	<u>\$ 257,316.36</u>	<u>\$ 71,795.46</u>	<u>\$ 102,817.14</u>	<u>\$ 428,468.79</u>	<u>\$ 41,590.23</u>	<u>\$ 901,987.98</u>
Liabilities and Fund Equity						
Liabilities						
Accounts Payable	\$ 2,179.02	\$ 0.00	\$ 23.42	\$ 0.00	\$ 0.00	\$ 2,202.44
Accrued Salaries, Fringes, Tax	383.63	0.00	0.00	0.00	0.00	383.63
Due to Other Funds	3,141.52	0.00	0.00	0.00	0.00	3,141.52
Total Liabilities	<u>5,704.17</u>	<u>0.00</u>	<u>23.42</u>	<u>0.00</u>	<u>0.00</u>	<u>5,727.59</u>
Fund Equity						
Reserved for:						
Fire Service	0.00	0.00	0.00	428,468.79	0.00	428,468.79
Major Streets	0.00	71,795.46	0.00	0.00	0.00	71,795.46
Local Streets	0.00	0.00	102,793.72	0.00	0.00	102,793.72
Cemetery	0.00	0.00	0.00	0.00	41,590.23	41,590.23
Unreserved	<u>251,612.19</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>251,612.19</u>
Total Fund Equity	<u>251,612.19</u>	<u>71,795.46</u>	<u>102,793.72</u>	<u>428,468.79</u>	<u>41,590.23</u>	<u>896,260.39</u>
Total Liabilities and Fund Equity	<u>\$ 257,316.36</u>	<u>\$ 71,795.46</u>	<u>\$ 102,817.14</u>	<u>\$ 428,468.79</u>	<u>\$ 41,590.23</u>	<u>\$ 901,987.98</u>

The accompanying notes are an integral part of the financial statements.

Village of Port Hope
Combined Statement of Revenue, Expenditures and
Change in Fund Balance - All Governmental Fund Types
For the Year Ended March 31, 2008

	General Fund	Major Special Revenue Funds			Other Nonmajor Governmental Funds (Cemetery)	Total Governmental Funds
		Major Street Fund	Local Street Fund	Fire Fund		
Revenues						
Property Taxes	\$ 86,760.88	\$ 0.00	\$ 11,152.41	\$ 0.00	\$ 0.00	\$ 97,913.29
Licenses and Permits	770.00	0.00	0.00	0.00	0.00	770.00
State Revenue Sharing	27,080.00	19,496.71	10,741.49	0.00	0.00	57,318.20
Road Commission Contributions	0.00	7,415.42	0.00	0.00	0.00	7,415.42
Fire Department Services	0.00	0.00	0.00	54,920.39	0.00	54,920.39
Interest	14,262.28	3,809.78	4,781.40	17,739.08	0.00	40,592.54
Miscellaneous	<u>31,974.83</u>	<u>0.00</u>	<u>0.00</u>	<u>1,656.38</u>	<u>660.55</u>	<u>34,291.76</u>
Total Revenues	<u>160,847.99</u>	<u>30,721.91</u>	<u>26,675.30</u>	<u>74,315.85</u>	<u>660.55</u>	<u>293,221.60</u>
Expenditures						
Legislative	1,360.00	0.00	0.00	0.00	0.00	1,360.00
General Government	9,288.24	0.00	0.00	0.00	0.00	9,288.24
Public Safety	13,368.22	0.00	0.00	29,827.66	0.00	43,195.88
Public Works	7,454.58	0.00	21,614.04	0.00	0.00	29,068.62
Other	73,389.94	0.00	0.00	0.00	0.00	73,389.94
Capital Outlay	<u>0.00</u>	<u>0.00</u>	<u>283,428.93</u>	<u>6,310.20</u>	<u>0.00</u>	<u>289,739.13</u>
Total Expenditures	<u>104,860.98</u>	<u>0.00</u>	<u>305,042.97</u>	<u>36,137.86</u>	<u>0.00</u>	<u>446,041.81</u>
Excess of Revenues over Expenditures	55,987.01	30,721.91	(278,367.67)	38,177.99	660.55	(152,820.21)
Other Financing Sources (Uses)						
Operating Transfers in	660.55	0.00	268,586.05	36,387.86	0.00	305,634.46
Operating Transfers out	<u>(168,099.73)</u>	<u>(136,874.18)</u>	<u>0.00</u>	<u>0.00</u>	<u>(660.55)</u>	<u>(305,634.46)</u>
Total Other Financing Sources (Uses)	<u>(167,439.18)</u>	<u>(136,874.18)</u>	<u>268,586.05</u>	<u>36,387.86</u>	<u>(660.55)</u>	<u>0.00</u>
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Us	(111,452.17)	(106,152.27)	(9,781.62)	74,565.85	0.00	(152,820.21)
Fund Balance at Beginning of Year	<u>363,064.36</u>	<u>177,947.73</u>	<u>112,575.34</u>	<u>353,902.94</u>	<u>41,590.23</u>	<u>1,049,080.60</u>
Fund Balance at End of Year	<u>\$ 251,612.19</u>	<u>\$ 71,795.46</u>	<u>\$ 102,793.72</u>	<u>\$ 428,468.79</u>	<u>\$ 41,590.23</u>	<u>\$ 896,260.39</u>

The accompanying notes are an integral part of the financial statements

Village of Port Hope
Proprietary Fund Type Sewer Operating Fund
Statement of Revenues, Expenses and Changes in
Retained Earnings Budget and Actual
For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Operating Revenues			
Sewer Charges		\$ 31,080.71	
Rent and Miscellaneous Income		6,125.00	
Total Operating Revenues	<u>50,000.00</u>	<u>37,205.71</u>	<u>(12,794.29)</u>
Operating Expenses			
Operators Salary		4,942.50	
Salaries and Wages		1,640.25	
Fica		580.60	
Postage		329.20	
Chemicals		1,320.00	
Repairs and Maintenance-Sewer		1,385.53	
Repairs and Maintenance-Equip		5,733.72	
Contracted Labor		475.00	
Legal and Professional		1,297.80	
Computer Service		1,048.00	
Telephone		919.62	
Vehicle Expenses		69.96	
Miscellaneous		508.00	
Depreciation		47,372.00	
Utilities		1,849.16	
Total Operating Expenses	<u>50,000.00</u>	<u>69,471.34</u>	<u>(19,471.34)</u>
Operating Income (loss)	0.00	(32,265.63)	(32,265.63)
Other Income (Expense)			
Interest Income	0.00	11,757.09	11,757.09
Interest Expense	0.00	(32,862.50)	(32,862.50)
Total Other Income (Expense)	<u>0.00</u>	<u>(21,105.41)</u>	<u>(21,105.41)</u>
Net Income (loss) From Operations	<u>\$ 0.00</u>	(53,371.04)	<u>(53,371.04)</u>
Add: Transfer of depreciation on assets acquired with contributions and grants		29,052.00	
Net Income (Loss)		(24,319.04)	
Retained Earnings Beginning of Year		228,092.63	
Prior Period Adjustment		<u>315,821.42</u>	
Retained Earnings End of Year		<u>\$ 519,595.01</u>	

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Fiduciary Fund Type Cemetery Perpetual Care
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

	Actual	Budget	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Interest Income	\$ 1,130.86	\$ 0.00	\$ (1,130.86)
Total Revenues	<u>1,130.86</u>	<u>0.00</u>	<u>(1,130.86)</u>
Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>1,130.86</u>	<u>0.00</u>	<u>1,130.86</u>
Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	1,130.86	<u>\$ 0.00</u>	<u>\$ 1,130.86</u>
Fund Balance Beginning of Year	<u>26,956.04</u>		
Fund Balance End of Year	<u>\$ 28,086.90</u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Reconciliation of Fund Balances of Government Funds
to Net Assets of Government Activities
For the Year Ended March 31, 2008

Fund Balances Total Governmental Funds	\$ 896,260.39
-----------------------------------------------	---------------

Amounts reported for governmental activities in the statement of activities are different because

Capital assets used in governmental activities are not financial resources expenditures in the year incurred and are not reported in the funds

Property and Equipment	1,840,957.18
Less Accumulated Depreciation	(616,067.24)

Accrued Interest on debt is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00

Net Assets of Governmental Activities	<u>\$ 2,121,150.33</u>
----------------------------------------------	-------------------------------

Village of Port Hope
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net Change in Fund Balances Total Governmental Funds \$ (152,820.21)

Amounts reported for governmental activities in the statement of activities
are different because

Governmental funds report capital outlays as expenditures in the year incurred
and depreciation is recored for assets in the statement of activities

Depreciation Expense	(61,922.66)
Capital Outlay	289,739.13

Accrued Interest on long-term debt is recorded in the statement of activities when
incurred it is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00

Proceeds and repayments of principal on long-term debt are revenues and
expenditures in the government funds, but not in the statement of activities

Proceeds from new Debt	0.00
------------------------	------

Change in Net Assets of Governmental Activities \$ 74,996.26

Village of Port Hope
Proprietary Fund Type Sewer Operating Fund
Statement of Cash Flows
For The Year Ended March 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Receipts From Customers	\$ 54,582.24
Cash Payments to Employees	(6,582.75)
Cash Payments to Suppliers of Goods and Services	<u>(15,450.77)</u>
Net Cash Provided By Operating Activities	32,548.72

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Revenue Bond Repayments	(17,507.50)
Interest Paid	<u>(33,285.62)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(50,793.12)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Interest Received	<u>11,757.09</u>
Net Cash Provided By (Used In) Investing Activities	<u>11,757.09</u>

**NET INCREASE (DECREASE) IN CASH
AND CASH EQUIVALENTS**

(6,487.31)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

208,039.37

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 201,552.06

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (32,265.63)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Depreciation and Amortization	47,372.00
Decrease (Increase) in Operating Assets	
Accounts Receivable	17,376.53
Increase (Decrease) in Operating Liabilities	
Accrued Liabilities	<u>65.82</u>
Total Adjustments	<u>64,814.35</u>

Net Cash Provided By (Used in) Operating Activities

\$ 32,548.72

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies:

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

Other Non-Major Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payable's

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative total data for the prior year has not been presented in the fund financial statements.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village. Commitments outstanding at the year end are charges against the subsequent year's appropriation once received and approved.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

Note 2 - Stewardship, Compliance, and Accountability:

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

Note 3 - Deposits and Investments:

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$397,713.10 and the bank balance was \$397,713.10.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2008, the Government investments consisted of certificates of deposit and Money Market Funds which the carrying amount and the bank balance was \$733,911.03.

The total Government cash and investments amounted to \$1,131,624.13 as of March 31, 2008 and \$338,374.13 was not covered by Federal Depository Insurance. After the Village's fiscal year end the Federal Depository Insurance amount was raised to \$250,000 and based upon the increased amount the \$188,374.13 would not have been covered by Federal Depository Insurance.

Note 4 - Receivables:

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 5 - Employee Retirement and Benefits Systems:

The Village of Port Hope does not provide any employee retirement or benefits systems.

Note 6 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

Note 7 - Proprietary Fund Fixed Assets:

Additions to the utility plant are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer building and lines	50 years
Buildings	15-30 years
Equipment	10-20 years
Office equipment	5 years

Note 8 - Contributed Capital:

Contributed capital currently exists only in the Enterprise Fund. This capital has been used along with other Village resources to purchase or construct the sewer system currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues closes to contributed capital rather than retained earnings.

Note 9 - Changes in Long-Term Debt - Sewer Fund:

The Village sewer system encompasses all of the Village of Port Hope with limited extension of services to residents of Gore Township and Rubicon Township. Financing of construction was accomplished through Series A and Series B Sewer System Revenue Bonds, authorized pursuant to Act 94, Public Acts of Michigan, 1933, as amended, issued under approval of the Department of Treasury, State of Michigan.

The Village has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the Village sewer system. The bonds are payable solely from the net revenues of the sewer system. The revenue bond ordinance contains certain covenants and restrictions that, among other matters, relate to the following:

- Establishment of rates to customers of the system that, together with other system income, are reasonably expected to produce annual net revenue sufficient to provide for annual debt

service requirements on the bonds and to provide other expenditures of the system as long as any bonds are outstanding

- Adoption of and adherence to budgeted expenses
- Execution of a fidelity bond in an amount not less than the amount of the bond
- Establish of a Sewer System Receiving Fund funded in the following manner and order;
 - Operation and Maintenance Fund,
 - Bond and Interest Redemption Fund, and set aside each quarter in the Bond Reserve Account, an amount equal to one-quarter of the next interest and principal payments to be used to pay the next interest and principal payments when due, and to permanently fund a separate Bond Reserve Account with \$36,000 and \$10,000 to be used upon default of either the first or second bond, respectively,
 - Repair and Reconstruction Fund, with an amount equal the amount required by resolution of the Village Council, and
 - Improvement Fund, with an amount equal the amount required by resolution of the Village Council.

It appears the revenue bond covenants and restrictions were met by the Village in the current year.

The following is a summary of bond transactions for the year ended March 31, 2008:

	BALANCE APRIL 1, <u>2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE MARCH 31, <u>2008</u>
Sewer System Revenue Bonds Series A	\$ 433,000	\$ -	\$ 11,000	\$ 422,000
Sewer System Revenue Bonds Series B	<u>125,000</u>	<u>-</u>	<u>6,508</u>	<u>118,492</u>
Total	\$ 558,000	\$ -	\$ 17,508	\$ 540,492

Sewer System Revenue Bonds payable as of March 31, 2008 are comprised of the following:

\$543,000 Series A Bonds due in annual principal installments ranging from \$9,000 to \$39,000 through April 1, 2027, plus interest at the rate of 6.125%, payable semi-annually on April 1 and October 1.	\$ 422,000
\$155,000 Series B Bonds due in annual principal installments ranging from \$2,000 to \$10,000 through April 1, 2027, plus interest at the rate of 5.75%, payable semi-annually on April 1 and October 1.	<u>118,492</u>
Sewer System Revenue Bonds payable	\$ 540,492

The annual requirements to amortize the Sewer System Revenue Bonds outstanding as of March

31, 2008 including interest of \$428,653 are as follows:

2009	\$	46,238
2010		46,360
2011		46,422
2012		46,425
2013		46,368
Thereafter		<u>700,167</u>
	\$	931,980

Note 10 - Prior Period Adjustment

Previous fiscal year-ends included substantial investment to Local Streets that were not reported as capital assets in the Local Street Fund and in the statement of net assets. The current year financial statements have been adjusted to report these improvements in the statement of net assets, as well as the depreciation related to these capital assets within the statement of activities. The effect of errors made in previous years is reported on the statement of net assets and the statement of activities as a prior period adjustment.

Accounting principles require that interest expense of an enterprise fund be recorded in the period it is incurred. In previous periods interest incurred and payable under the the accrual method of accounting had not been recorded in the Sewer Fund and a correction has been made to report the accrued interest as a liability. The effect of the errors made in previous years is reported on the statement of net assets and the statement of activities as a prior period adjustment to beginning net assets.

Generally accepted accounting principals require that revenues be recorded in the period they are earned. Government wide financial statements including the statement of net assets and statement of activities are reported on the full accrual method of accounting while government funds financial statements are intended to give a short term view of of the government. The Sewer enterprise fund had recorded and was reporting in both the statement of net assets and statement of activities deferred revenue, which is not generally accepted accounting, and a correction has been made to report the Sewer Fund on the full accrual method of accounting. The effect of the errors made in previous years is reported on the statement of net assets and the statement of activities as a prior period adjustment to beginning net assets.

The Sewer Fund had incorrectly stated the sewer hookup balance owing to the Village, payable in 40 annual installments that commenced as of sewer system construction completion, as of the beginning of its current fiscal year. The effect of the error made in the previous year is reported on the statement of net assets and the statement of activities as a prior period adjustment to beginning net assets.

The effect of these misstatements is summarized as follows;

	<u>Local Streets Fund</u>	<u>Sewer Fund</u>
Capital assets not reported	\$ 342,616.47	\$ -0-
Interest expense not recorded	-0-	(16,854.37)
Deferred revenue eliminated	-0-	365,409.24
Sewer hookup receivable correction	<u>-0-</u>	<u>(32,733.45)</u>
Total	\$ 342,616.47	\$ 315,821.42

Note 11 - Restricted Assets

The balance of restricted asset accounts are as follows:

Cash and equivalents:

Sewer operations and maintenance
Sewer bond interest and redemption
Sewer repair and reconstruction
Sewer improvement

Business-type
Activities

Total restricted Assets

\$ 201,552.06

Note 12 - Subsequent Event

After their fiscal year end the Village loaned Huron County \$100,000 to secure the purchase of six new log cabin kits to be erected at Stafford County Park. The County will pay the Village seven annual payments of \$12,000 per year, plus interest at 3% per annum, payments commencing September 22, 2009, and with a final payment of \$16,000 on September 22, 2016.

Required Supplemental Information

Village of Port Hope
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	<u>General Fund</u>				
			<u>Variance</u> <u>Original</u> <u>Compared to</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Actual</u> <u>Compared to</u> <u>Final</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues					
Taxes-Current	\$ 80,000.00	\$ 80,000.00	\$ 0.00	\$ 86,760.88	\$ 6,760.88
State Sources	20,000.00	20,000.00	0.00	27,080.00	7,080.00
Garbage Collections	20,000.00	20,000.00	0.00	24,613.20	4,613.20
Other	850.00	850.00	0.00	8,131.63	7,281.63
Interest	3,000.00	3,000.00	0.00	14,262.28	11,262.28
Total Revenues	<u>123,850.00</u>	<u>123,850.00</u>	<u>0.00</u>	<u>160,847.99</u>	<u>36,997.99</u>
Expenditures					
Legislative	3,000.00	3,000.00	0.00	1,360.00	1,640.00
General Government	41,800.00	41,800.00	0.00	9,288.24	32,511.76
Public Safety	16,000.00	16,000.00	0.00	13,368.22	2,631.78
Public Works	13,550.00	13,550.00	0.00	7,454.58	6,095.42
Garbage	28,500.00	28,500.00	0.00	23,412.58	5,087.42
Other	21,000.00	21,000.00	0.00	49,977.36	(28,977.36)
Total Expenditures	<u>123,850.00</u>	<u>123,850.00</u>	<u>0.00</u>	<u>104,860.98</u>	<u>18,989.02</u>
Excess of Revenues over Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>55,987.01</u>	<u>55,987.01</u>
Other Financing Sources (Uses)					
Operating Transfers in	0.00	0.00	\$ 0.00	660.55	660.55
Operating Transfers out	0.00	(162,600.00)	\$ (162,600.00)	(168,099.73)	(5,499.73)
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>(162,600.00)</u>	<u>(162,600.00)</u>	<u>(167,439.18)</u>	<u>(4,839.18)</u>
Excess of Revenues and Other					
Over(Under)Expenditures and Other Us	<u>\$ 0.00</u>	<u>\$ (162,600.00)</u>	<u>(162,600.00)</u>	<u>(111,452.17)</u>	<u>\$ 51,147.83</u>
Fund Balance at Beginning of Year				<u>363,064.36</u>	
Fund Balance at End of Year				<u>\$ 251,612.19</u>	

The accompanying notes are an integral part of this financial statement.

Additional Supplemental Information

**Village of Port Hope
General Fund
Schedule of Revenues
For the Year Ended March 31, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Tax Levy	\$ 86,760.88		
Cable TV	1,882.63		
Garbage Fees	24,613.20		
Zoning Permits	770.00		
Sales Tax	27,080.00		
Rental Income	4,930.00		
Miscellaneous	549.00		
Interest Income	<u>14,262.28</u>		
Total Revenues	<u>\$ 160,847.99</u>	<u>\$ 123,850.00</u>	<u>36,997.99</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope
General Fund
Schedule of Expenditures
For the Year Ended March 31, 2008**

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
Legislative			
Township Board Salary	\$ 1,360.00		
Total Legislative	<u>\$ 1,360.00</u>	<u>\$ 3,000.00</u>	<u>\$ 1,640.00</u>
General Government			
Election Costs	\$ 199.76		
Clerk Fees	3,837.84		
Treasurer Fees	1,906.14		
Zoning Costs	1,195.00		
Travel Expenses	49.50		
Mayor Fees	<u>2,100.00</u>		
Total General Government	<u>\$ 9,288.24</u>	<u>\$ 41,800.00</u>	<u>32,511.76</u>
Public Safety			
Ambulance Stand by Fees	\$ 930.00		
Outside Labor - Police	9,368.22		
Maintenance Fee - Police	<u>3,070.00</u>		
Total Public Safety	<u>\$ 13,368.22</u>	<u>\$ 13,550.00</u>	<u>181.78</u>
Public Works			
Street Light Expense	<u>\$ 7,454.58</u>		
Total Public Works	<u>\$ 7,454.58</u>	<u>\$ 16,000.00</u>	<u>8,545.42</u>
Other			
Taxes - Payroll	\$ 2,551.95		
Office Wages	4,118.20		
Office Supplies	2,421.57		
Printing and Publishing	1,434.14		
Contracted Services	5,745.00		
Professional Fees	7,175.00		
Insurance	9,437.00		
Dues and Publications	397.00		
Miscellaneous	416.48		
Garbage Pick Up	23,412.58		
Miscellaneous	85.55		
Telephone	1,885.08		
Utilities	7,724.96		
Tax Cancellations	234.00		
Repairs and Maintenance	3,681.70		
Outside Contractor	827.63		
Repairs and Maintenance	<u>1,842.10</u>		
Total Other	<u>\$ 73,389.94</u>	<u>\$ 49,500.00</u>	<u>(23,889.94)</u>
Total Expenditures	<u>\$ 104,860.98</u>	<u>\$ 123,850.00</u>	<u>\$ 18,989.02</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope
Special Revenue Funds
Combined Balance Sheet
March 31, 2008**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Fund</u>	<u>Cemetery</u>	<u>Totals</u>
Assets					
Cash in Bank	\$ 71,795.46	\$ 102,817.14	\$ 428,468.79	\$ 18.98	\$ 603,100.37
Due From Other Funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>41,571.25</u>	<u>41,571.25</u>
Total Assets	<u>\$ 71,795.46</u>	<u>\$ 102,817.14</u>	<u>\$ 428,468.79</u>	<u>\$ 41,590.23</u>	<u>\$ 644,671.62</u>
Liabilities and Fund Equity					
Liabilities					
Accounts Payable	<u>0.00</u>	<u>23.42</u>	<u>0.00</u>	<u>0.00</u>	<u>23.42</u>
Fund Equity					
Unreserved	<u>71,795.46</u>	<u>102,793.72</u>	<u>428,468.79</u>	<u>41,590.23</u>	<u>644,648.20</u>
Total Liabilities and Fund Equity	<u>\$ 71,795.46</u>	<u>\$ 102,817.14</u>	<u>\$ 428,468.79</u>	<u>\$ 41,590.23</u>	<u>\$ 644,671.62</u>

The accompanying notes are an integral part of the financial statements.

Village of Port Hope
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

	<u>Major Street Fund</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues			
Road Commission Contributions	\$ 7,415.42		
State Grants	19,496.71		
Interest Income	<u>3,809.78</u>		
Total Revenues	<u>30,721.91</u>	<u>18,000.00</u>	<u>12,721.91</u>
Expenditures			
Total Expenditures	<u>0.00</u>	<u>18,000.00</u>	<u>18,000.00</u>
Excess of Revenues Over (Under) Expenditures	<u>30,721.91</u>	<u>0.00</u>	<u>30,721.91</u>
Other Financing Sources (Uses)			
Transfer out	<u>(136,874.18)</u>	<u>(132,400.00)</u>	<u>4,474.18</u>
Total Other Financing Sources (Uses)	<u>(136,874.18)</u>	<u>(132,400.00)</u>	<u>(4,474.18)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>(106,152.27)</u>	<u><u>\$ (132,400.00)</u></u>	<u><u>\$ 26,247.73</u></u>
Fund Balance Beginning of Year	<u>177,947.73</u>		
Fund Balance End of Year	<u><u>\$ 71,795.46</u></u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

	<u>Local Street Fund</u>		<u>Variance</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Current Tax Levy	\$ 11,152.41		
State Grants	10,741.49		
Interest Income	<u>4,781.40</u>		
Total Revenues	<u>26,675.30</u>	<u>15,000.00</u>	<u>11,675.30</u>
Expenditures			
Construction - Materials and Supplies	772.00		
Maintenance - Supplies	10,654.87		
Maintenance - Contract Services	10,187.17		
Capital Outlay	<u>283,428.93</u>		
Total Expenditures	<u>305,042.97</u>	<u>310,000.00</u>	<u>4,957.03</u>
Excess of Revenues Over (Under) Expenditures	<u>(278,367.67)</u>	<u>(295,000.00)</u>	<u>16,632.33</u>
Other Financing Sources (Uses)			
Transfers in	<u>268,586.05</u>	<u>295,000.00</u>	<u>(26,413.95)</u>
Total Other Financing Sources (Uses)	<u>268,586.05</u>	<u>295,000.00</u>	<u>(26,413.95)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>(9,781.62)</u>	<u>\$ 0.00</u>	<u>\$ (9,781.62)</u>
Fund Balance Beginning of Year	<u>112,575.34</u>		
Fund Balance End of Year	<u>\$ 102,793.72</u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

	<u>Fire Fund</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Fire Fees	\$ 2,550.00		
Bulk Water Sales	6,790.00		
Miscellaneous	1,656.38		
Interest Income	17,739.08		
Stand By Fees	45,580.39		
Total Revenues	<u>74,315.85</u>	<u>48,000.00</u>	<u>26,315.85</u>
Expenditures			
Salary Fire Chief	1,200.00		
Supplies	2,618.12		
Gas and Oil	1,821.32		
Water Expense	2,621.97		
Repairs and Maintenance	17,127.55		
Telephone	1,124.81		
Miscellaneous	2,160.33		
Meetings	1,153.56		
Capital Outlay	6,310.20		
Total Expenditures	<u>36,137.86</u>	<u>48,000.00</u>	<u>(11,862.14)</u>
Excess of Revenues Over (Under) Expenditures	<u>38,177.99</u>	<u>0.00</u>	<u>38,177.99</u>
Other Financing Sources (Uses)			
Transfers In	36,387.86	0.00	36,387.86
Total Other Financing Sources (Uses)	<u>36,387.86</u>	<u>0.00</u>	<u>(36,387.86)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>74,565.85</u>	<u>\$ 0.00</u>	<u>\$ 74,565.85</u>
Fund Balance Beginning of Year	<u>353,902.94</u>		
Fund Balance End of Year	<u>\$ 428,468.79</u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

	<u>Cemetery Fund</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Total Revenues	<u>0.00</u>	<u>5,000.00</u>	<u>(5,000.00)</u>
Expenditures			
Total Expenditures	<u>0.00</u>	<u>5,000.00</u>	<u>(5,000.00)</u>
Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources			
Fund Balance Beginning of Year	<u>41,590.23</u>		
Fund Balance End of Year	<u>\$ 41,590.23</u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Statement of Revenues, Expenditures and Changes in Fund Balance
Actual vs. Budget
For the Year Ended March 31, 2008

Liquor Fund

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Liquor License Fees	\$ 660.55		
Total Revenues	<u>660.55</u>	<u>0.00</u>	<u>660.55</u>
Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>660.55</u>	<u>0.00</u>	<u>660.55</u>
Other Financing Sources (Uses)			
Transfers out	<u>(660.55)</u>		
Total Other Financing Sources (Uses)	<u>(660.55)</u>	<u>0.00</u>	<u>(660.55)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	0.00	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Fund Balance Beginning of Year	<u>0.00</u>		
Fund Balance End of Year	<u>\$ 0.00</u>		

The accompanying notes are an integral part of this financial statement.

Village of Port Hope
Schedule of Sewer System Revenue Bonds - Series A
March 31, 2008

Maturity Date	Principal Amount Payable at Each Maturity Date	Interest		Total
		Rate	Amount	
04/01/08	11,000	6.125%	12,924	23,924
10/01/08		6.125%	12,587	12,587
04/01/09	12,000	6.125%	12,587	24,587
10/01/09		6.125%	12,219	12,219
04/01/10	13,000	6.125%	12,219	25,219
10/01/10		6.125%	11,821	11,821
04/01/11	13,000	6.125%	11,821	24,821
10/01/11		6.125%	11,423	11,423
04/01/12	14,000	6.125%	11,423	25,423
10/01/12		6.125%	10,994	10,994
04/01/13	15,000	6.125%	10,994	25,994
10/01/13		6.125%	10,535	10,535
04/01/14	16,000	6.125%	10,535	26,535
10/01/14		6.125%	10,045	10,045
04/01/15	17,000	6.125%	10,045	27,045
10/01/15		6.125%	9,524	9,524
04/01/16	18,000	6.125%	9,524	27,524
10/01/16		6.125%	8,973	8,973
04/01/17	19,000	6.125%	8,973	27,973
10/01/17		6.125%	8,391	8,391
04/01/18	20,000	6.125%	8,391	28,391
10/01/18		6.125%	7,779	7,779
04/01/19	22,000	6.125%	7,779	29,779
10/01/19		6.125%	7,105	7,105
04/01/20	23,000	6.125%	7,105	30,105
10/01/20		6.125%	6,401	6,401
04/01/21	24,000	6.125%	6,401	30,401
10/01/21		6.125%	5,666	5,666
04/01/22	26,000	6.125%	5,666	31,666
10/01/22		6.125%	4,869	4,869
04/01/23	27,000	6.125%	4,869	31,869
10/01/23		6.125%	4,043	4,043
04/01/24	29,000	6.125%	4,043	33,043
10/01/24		6.125%	3,154	3,154
04/01/25	31,000	6.125%	3,154	34,154
10/01/25		6.125%	2,205	2,205
04/01/26	33,000	6.125%	2,205	35,205
10/01/26		6.125%	1,194	1,194
04/01/27	<u>39,000</u>	6.125%	<u>1,194</u>	<u>40,194</u>
	\$ 422,000		\$ 310,780	\$ 732,780

Village of Port Hope
Schedule of Sewer System Revenue Bonds - Series B
March 31, 2008

Maturity Date	Principal Amount Payable at Each Maturity Date	Interest		Total
		Rate	Amount	
04/01/07	3,000	5.75%	3,594	6,594
10/01/07		5.75%	3,508	3,508
04/01/08	3,000	5.75%	3,508	6,508
10/01/08		5.75%	3,421	3,421
04/01/09	3,000	5.75%	3,421	6,421
10/01/09		5.75%	3,335	3,335
04/01/10	3,000	5.75%	3,335	6,335
10/01/10		5.75%	3,249	3,249
04/01/11	4,000	5.75%	3,249	7,249
10/01/11		5.75%	3,134	3,134
04/01/12	4,000	5.75%	3,134	7,134
10/01/12		5.75%	3,019	3,019
04/01/13	4,000	5.75%	3,019	7,019
10/01/13		5.75%	2,904	2,904
04/01/14	4,000	5.75%	2,904	6,904
10/01/14		5.75%	2,789	2,789
04/01/15	5,000	5.75%	2,789	7,789
10/01/15		5.75%	2,645	2,645
04/01/16	6,000	5.75%	2,645	8,645
10/01/16		5.75%	2,473	2,473
04/01/17	6,000	5.75%	2,473	8,473
10/01/17		5.75%	2,300	2,300
04/01/18	6,000	5.75%	2,300	8,300
10/01/18		5.75%	2,128	2,128
04/01/19	7,000	5.75%	2,128	9,128
10/01/19		5.75%	1,926	1,926
04/01/20	7,000	5.75%	1,926	8,926
10/01/20		5.75%	1,725	1,725
04/01/21	7,000	5.75%	1,725	8,725
10/01/21		5.75%	1,524	1,524
04/01/22	8,000	5.75%	1,524	9,524
10/01/22		5.75%	1,294	1,294
04/01/23	8,000	5.75%	1,294	9,294
10/01/23		5.75%	1,064	1,064
04/01/24	9,000	5.75%	1,064	10,064
10/01/24		5.75%	805	805
04/01/25	9,000	5.75%	805	9,805
10/01/25		5.75%	546	546
04/01/26	9,000	5.75%	546	9,546
10/01/26		5.75%	288	288
04/01/27	10,000	5.75%	288	10,288
	<u>\$ 125,000</u>		<u>\$ 91,748</u>	<u>\$ 216,748</u>



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October 30, 2008

To the Village Board
Village of Port Hope
Port Hope, MI 48468

During the course of our audit of the Village of Port Hope for the year ended March 31, 2008, we have developed recommendations we feel can improve your financial reporting and record keeping. They are as follows:

1. The Village should perform all accounting functions related to the Sewer Fund installments receivable from residents and should properly record transactions in their general ledger.
2. Village budgets should be line-item and all accounts should be budgeted. Once revised, complete new budgets should be prepared and approved.

If you have any questions, or would like to discuss them in more detail, please call.

Very truly yours,

Midwest Accounting, P.C.